

**Committee on Energy and Commerce
Subcommittee on Oversight and Investigations
Commercial Sales of Military Technologies
Opening Statement
Chairman Bart Stupak
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Less than two weeks ago, North Korea detonated a nuclear weapon during an underground test. North Korea is now threatening to test fire an intercontinental ballistic missile capable of striking Alaska. At the same time, our nation remains at war in Iraq and Afghanistan, and here at home, we face the threat of attack from al-Qaeda and other terrorist groups. In 2009, the world is a very dangerous place.

Today, we will examine two specific ways we may be allowing our national security to be compromised: domestic sales and the illegal export of military and scientific technology overseas.

In 2008, our Committee began investigating controls on the export of military and dual use technology – technology that has both military and commercial uses. As part of our investigation, we asked the Government Accountability Office to conduct undercover testing to determine how vulnerable we are to covert acquisition and export of our sensitive technology. The results are troubling.

We will hear today how GAO established a fictitious company, led by a fictitious individual, to acquire 12 different military or dual use items that are subject to export control laws. The GAO was able to acquire several devices used in nuclear weapons programs, including:

- A “triggered spark gap,” a high voltage switch that can be used as a nuclear weapon detonator;
- An “accelerometer,” an instrument used to measure motions generated by nuclear and chemical explosives; and
- A “gyrochip,” a device that can be used to stabilize and steer guided missiles.

GAO also successfully acquired several pieces of military equipment that give our troops technological superiority in battle, including:

- A night vision scope, used by our troops to see and track the enemy in the dark;
- Body armor, of the type used by the U.S. military in battle; and
- An F-16 engine-monitoring system computer.

GAO will explain how 12 out of 12 of the companies approached – 100 percent – agreed to sell these sensitive items to the fictitious company. None of these companies discovered that the company was fake. None of the companies determined that the buyer was a fake person. In fact, none of the companies ever met the buyer, and most conducted the transactions entirely by e-mail. The

company that manufactures the night-vision scope even signed up GAO's fake company as an authorized distributor of its product.

The only thing more surprising than the ease with which GAO acquired this sensitive equipment is the fact that it was apparently entirely legal. When questioned afterwards, the companies involved explained that they are not required by current law to apply for an export license when selling specified military or dual use products directly to domestic purchasers. There is no requirement for them to conduct any background checks or due diligence on the buyers, much less submit the proposed sale to the government for a license to purchase. The Commerce Department, which will testify today, agrees that no violations occurred.

This is obviously not a satisfactory result. GAO illustrated the weakness of this legal regime when it turned around and successfully exported some of these items simply by sending them via Federal Express. GAO sent them to a country known as a transshipment point for military and nuclear technology. So there is an enormous loophole in the law.

We will hear today from GAO, the Commerce Department, and three of the companies that sold these products to GAO, either as a manufacturer or seller. We will ask them the following questions:

- Are some military items so sensitive that they should be banned from commercial sales to the public entirely?
- Are some military or dual use items sensitive enough to require licenses for domestic sales?

- Can additional controls be put in place to make it more difficult for our enemies to gain access to our sensitive military and dual use technologies?

The stakes cannot be higher. A 2008 report by the Strategic Studies Institute reveals that in the past North Korea has sought to procure from foreign sources at least one of the products GAO acquired, the accelerometer, to enhance its guided missile program. I look forward to the testimony today and hope we can discuss ways in which government and business can work together to ensure that our technological advantage is not used to jeopardize the safety of our troops, our allies, and our communities here at home.